THE COMMONWEALTH OF VIRGINIA

AND

THE VIRGINIA DEPARTMENT OF MOTOR VEHICLES

Insurance Verification Program

January 2000

Two state agencies administer Virginia's uninsured motor vehicle laws. The State Corporation Commission (SCC) regulates and registers insurance companies, establishes the forms used to provide uninsured motorist coverage and regulates the rates charged for coverage. The Virginia Department of Motor Vehicles (DMV) is responsible for verifying and ensuring compliance with motor vehicle insurance laws.

Motor Vehicle Safety Responsibility Act

Virginia has a combination of financial responsibility and uninsured motor vehicle laws. Virginia's financial responsibility laws date back to 1944 when the Motor Vehicle Safety Responsibility Act was adopted to suspend driver and motor vehicle registration privileges of financially irresponsible motorists who failed to satisfy judgments against them that resulted from accidents which they caused. However, instead of mandating the purchase of insurance, Virginia's financial responsibility laws require motor vehicle owners to demonstrate financial responsibility at the time they are suspected to be uninsured by DMV. Evidence of financial responsibility are: 1) a liability insurance policy, 2) a fully executed bond, 3) a deposit of money or securities, or 4) a self-insured certificate.

Mandatory uninsured motorist coverage is another feature of Virginia's uninsured motorist laws. Under this provision of the law, all bodily injury and property damage liability insurance policies written by companies licensed to do business in the Commonwealth are required to include uninsured/underinsured motorist coverage. As I am sure you are aware, the intent of this type of coverage is to protect the insured against a loss caused by an accident with an uninsured /underinsured motorist or hit-and-run driver.

The final feature of Virginia's laws is the Uninsured Motor Vehicle (UMV) fee, which is probably unique among states. It allows a motor vehicle owner to register an

uninsured motor vehicle. To accomplish this, at the time of registration, the motor vehicle owner is required to certify whether the vehicle is insured or uninsured.

If the vehicle is uninsured, the motor vehicle owner is required to pay to DMV a $500 uninsured motor vehicle fee in addition to normal registration fees. Payment of the $500 fee does not provide the motorist with any insurance coverage, and if involved in causing an accident, the uninsured motorist remains personally liable. This fee is valid for a maximum of twelve months but maybe prorated for less time.

Motor vehicle owners who falsely certify that they have insurance and are determined by DMV to be uninsured face stiff penalties. In addition to facing suspension of all driver and registration privileges, compliance includes payment of a $500 penalty fee, a $30 reinstatement fee and filing proof of insurance for three years. During the three-year period, insurance companies cooperate with DMV by providing notification if a policy is canceled. This requirement to maintain proof of insurance enables DMV to ensure that these motor vehicle owners do maintain liability insurance on their registered vehicles.

The voluntary and penalty fees collected by DMV are deposited into a special fund known as the Uninsured Motorist Fund. A portion of the fees from this fund are used by DMV for administrative costs and the remainder is transferred to the SCC for distribution to insurance companies to reduce the costs of the required uninsured motorist coverage discussed above. The distribution is based on each insurance company's direct written premiums for basic uninsured motorist coverage during the preceding calendar year.

Identifying Uninsured Motor Vehicles

Our enforcement or what is called the Insurance Verification Program consists of four different processes. Within each process, DMV makes every effort to obtain correct insurance information from owners prior to taking action to suspend the owner's driving

and registration privileges. For example, if an owner responds with incomplete or inaccurate data, a written notice is returned to the owner requesting correct or additional information.

Once DMV receives insurance information from the owner, the information is verified with the insurance company named by the owner. If the specified company denies that the owner is a current policyholder, DMV notifies the owner to provide correct insurance information and/or to resolve the problem with the insurance company. An order of suspension for driving and registration privileges is issued only if the owner fails to respond, is found not to have insurance, or admits to not having liability insurance coverage.

To reinstate, the owner's insurance company must provide a certificate of insurance for three years. As was indicated earlier, insurance companies cooperate by notifying DMV if the policy is canceled during this period. If canceled, DMV will issue an order of suspension for failure to maintain the certificate of insurance.

Electronic Motor Vehicle Liability Insurance Reporting Process
Now, turning to the centerpiece of our enforcement program -- electronic Motor Vehicle Liability Insurance Reporting.

Over the years, DMV has used a number of different processes to ascertain that motor vehicle owners were either insured or paid the uninsured motor vehicle fee. Starting in 1986, vehicle registrations were randomly sampled. This process is no longer used because it was determined to be too intrusive into the lives of motorists who complied with the laws. We found that between 93% and 97% of those sampled were found to be insured.

In January of 1997, DMV implemented an electronic motor vehicle liability insurance reporting and insurance verification process. The objectives of this process are to:

- Encourage motor vehicle owners to obtain and maintain liability insurance or pay the uninsured motor vehicle fee;
- Minimize intrusion into the lives of vehicle owners who comply with insurance laws;
- Identify uninsured motor vehicle owners prior to their involvement in an accident; and,
- Reduce paper work associated with insurance verification.

Under this process, insurance companies licensed to do business in Virginia are required to provide DMV electronic updates of insurance cancellations, reinstatements, new policies and additions -- companies with less than 1,000 polices are allowed to file electronically or in paper form. These updates are electronically matched with vehicle registration records. All no-matches are held in an insurance file and run periodically against new insurance updates for a 60-day period. If after 60 days, a cancel update is still unmatched a notice requesting insurance information is sent to the vehicle owner. Information received from the vehicle owner is keyed into DMV computer systems and is forwarded to the named insurance company for acknowledgment or denial of coverage. An order to suspend driver and registration privileges is sent to owners who fail to respond to the request for insurance information or if the insurance company denies coverage.

In addition to insurance cancellations, DMV also matches new registrations against insurance updates. If after 60 days, a new registration is still unmatched with an insurance company add or new business, the same compliance process discussed above is used.

We are excited about this electronic insurance reporting and verification program and it is less intrusive and more effective than the random sampling process. As we electronically monitor all cancellations and new registrations (nearly 12 million insurance company updates) but only send requests for information to those motorists whose transactions remain unmatched.

We sent notices to 285,655 vehicle owners and initial orders of suspension to 39,889 for FY 99. The total revenues from UMV and penalty fees exceeded $12 million.

Other Successfully Tested Processes

The second process, suspected uninsured accident, allows a citizen to voluntarily file an accident report with DMV, and as a part of the report, indicate there is a reason to believe the other party was uninsured. A notice requesting insurance is sent to the suspected uninsured. If the citizen fails to respond, or is found to have no insurance, an order of suspension is issued. This has proven to be highly successful, as for the fiscal year ending June 1999, 61% of the 1,784 notices issued resulted in orders of suspension.

This third process, law enforcement notification, is initiated when law enforcement officers require motorists to provide insurance information to DMV as a part of a roadside spot check or if there is probable cause for a moving traffic violation. If the citizen fails to send the insurance information to DMV, or is found to have no insurance, an order of suspension is issued. This too has proven to be highly successful, as for the fiscal year ending June 1999, 71% of the 1,784 notices issued resulted in orders of suspension.

The final process, citizen information/police accident reports, utilizes police accident reports and citizen-initiated documentation to identify potential uninsured individuals. We review the accident reports and citizen documentation to determine if there is a need to issue a notice to request insurance information. If information is requested and the citizen fails to respond, or is found to have no insurance, an order of

suspension is issued. For the fiscal year ending June 1999, 64% of the 958 notices issued resulted in orders of suspension.

Program Effectiveness

The most important measure of the program's effectiveness is whether it accomplishes its intended objectives. With implementation of electronic insurance verification, our program has reduced paper associated with insurance verification, is identifying more uninsured motor vehicle owners prior to their involvement in an accident, and is less intrusive, as only those owners who are suspected to be uninsured are sent a notice requesting insurance information.

We welcome your questions and comments. You may contact:

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